

1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION



2  
3 In the Matter of: )

4 ) File No. B-03221-A

5 LBRY )

6  
7 WITNESS: Thomas Zarebczan

8 PAGES: 1 through 215

9 PLACE: 33 Arch Street

10 Boston, Massachusetts

11 DATE: Wednesday, July 10, 2019

12  
13 The above-entitled matter came on for hearing,  
14 pursuant to notice, at 9:42 a.m.

15  
16  
17  
18  
19  
20  
21  
22  
23  
24 Diversified Reporting Services, Inc.

25 (202) 467-9200

1 Q How much Zcash did you mine?

2 A I don't remember exactly. Probably  
3 around -- probably around a hundred. Something like  
4 that.

5 Q And how many Zcash do you have today?

6 A I think like 150 or 200.

7 Q How many LBC did you mine?

8 A Probably like 200,000. Something like  
9 that.

10 Q How many LBC do you hold today?

11 A About 2 million.

12 Q When did you start mining LBC?

13 A Sometime in 2016. Late 2016. I don't  
14 remember exact dates.

15 Q Why did you start mining LBC?

16 A When I learned -- when I learned about the  
17 project, I -- I started to do my research like I did  
18 with other projects. That's when I joined the LBRY,  
19 their community. Checked out their website; see  
20 what they were about.

21 The project really fascinated me in terms  
22 of the use case that they were trying to accomplish.  
23 I understood that it was built off the Bitcoin  
24 protocol, which was very solid.

25 And I understood some of the other things

1 Q Have you traded away any LBC?

2 A Probably bought and sold -- probably sold  
3 some small amounts of LBC potentially for other  
4 tokens as I was trading but mostly just -- mostly  
5 buying LBC.

6 Q Are you familiar with the term "hodl"?

7 A Hodl? That's going to be on the record.  
8 That's pretty awesome.

9 Q So it sounds like you are familiar with  
10 it?

11 A I've heard of it, yes.

12 Q What does it mean to you?

13 A What does it mean to me -- To me, it's  
14 just more -- it's kind of -- I don't know how to say  
15 it. Let me think about it for a second.

16 (Pause.)

17 A It's a way of showing support for a  
18 project by -- by holding onto their tokens.

19 Q Would you say that you've hodled your LBC?

20 A Yes, I hodled my LBC.

21 Q When you were deciding whether or not to  
22 mine or trade an LBC, did you evaluate any -- the  
23 team that was running LBRY?

24 A Yeah, I looked at the team page, their  
25 website. People were listed there. And also on

1 Exhibit 68. It says this agreement is effective  
2 December 1st, 2017 (as read).

3 (Reviewing document.)

4 A I remember this document, but I think  
5 there was -- this might have been like a draft, so  
6 the compensation structure when I received this was  
7 changed at some point.

8 Q Let's just talk about that then. The  
9 structure and compensation in Exhibit 68, the first  
10 bullet says \$3,000 a month. Do you see that?

11 A Yeah.

12 Q When you -- what was your salary when you  
13 first started at LBRY?

14 A So when I first started at LBRY in July,  
15 it was -- it was all LBC for the first six months,  
16 so the half a year that I worked at LBRY. I think  
17 it was -- I forget what equivalent it was, but it  
18 was paid in LBC.

19 Q And why was that?

20 A Not exactly sure why that was. That was  
21 just one of the -- that was one of the offers that  
22 was given to me at the time.

23 Q And who made that offer?

24 A I don't remember if it was Josh or Jeremy.

25 Q Do you think that this reflects when you

1           A     From -- yes. Well, I don't know if it was  
2     me that turned them off.

3           Q     Why was LBRY providing rewards?

4           A     The main reason was, like, it's a way of  
5     onboarding users so that they could -- they could  
6     use those rewards on the platform, whether it's to  
7     buy stuff, publish, tip.

8           Q     Was there a -- a supply problem with LBC  
9     in the market?

10          A     I'm not sure what you mean by that.

11          Q     Well, were there -- could -- could a user  
12     who wanted to onboard with the LBRY application,  
13     could that user have gone to Poloniex and Bittrex  
14     and bought LBC there?

15          A     Yeah, they could have.

16          Q     So they didn't need to get free LBC from  
17     LBRY in order to get onto the LBRY application, is  
18     that right?

19          A     You could -- yeah, you could use the LBRY  
20     application without rewards.

21          Q     The rewards were an incentive to encourage  
22     people to utilize the application, is that right? (Pause.)

23          A     That's one way of thinking about it, yeah.

24                     (SEC Exhibit No. 71 was marked  
25                     for identification.)

1           A     I mean, it was -- I don't remember if it  
2 was a no or if they wanted -- I don't remember what  
3 they wanted.

4                     Potentially if I was following up about  
5 the listing fees, maybe they wanted listing fees,  
6 but I don't remember exactly what.

7           Q     Did LBRY participate in any popular vote  
8 to get LBC listed on Binance?

9           A     Might have tried the community vote. I  
10 don't remember exactly.

11          Q     And how did that program work?

12          A     I don't remember. Because that was one of  
13 the options on the form, I remember.

14          Q     Is that essentially like LBRY would be  
15 pitted against other companies with digital assets  
16 and the one with the most votes or a sufficient  
17 number of votes would then get listed on Binance?

18          A     I don't know what their process was for  
19 determining what votes counted or didn't count  
20 or -- I assume it would be something similar to  
21 that.

22                     (SEC Exhibit No. 74 was marked  
23 for identification.)

24          Q     Tom, I'm handing you a document which has  
25 been marked as Exhibit No. 74. It is a one-page

1 document and at the top there is a message from a  
2 bollycat dated March the 18th, 2018, and then there  
3 are replies, including one from yourself towards the  
4 bottom of the page. Also are dated on 13 March, as  
5 well.

6 A Can I read through this?

7 Q Oh, yes, of course. And I know that it's  
8 a little faded and it's small, so take your time.

9 (Reviewing document.)

10 A Okay. I've read through it.

11 Q Do you recognize this exhibit?

12 A Do I recognize -- I mean, it has my -- it  
13 has messages from my Twitter account, yeah.

14 Q All right. So these are -- are Tweets?

15 A Tweets, correct.

16 Q And there is -- so this -- I'm sorry.  
17 Your Twitter handle is @tom C-A-R-E-B-C-Z-A-N, is  
18 that correct?

19 A Correct.

20 Q And at least at the time of this printout  
21 or Tweet, your -- you have a -- you have a picture,  
22 which is you in a suit and tie, is that right?

23 A Correct.

24 Q Is that what -- is that what it shows?  
25 That's a picture of you?

1 A That's a picture of me, yes.

2 Q And the back-and-forth in the Tweets are  
3 about first a Coinbase widget. What's the "Coinbase  
4 widget"?

5 (Reviewing document.)

6 A I think I explained it in this Tweet. It  
7 would be something in the app that would allow  
8 people to purchase some of the supported coins on  
9 Coinbase and then convert those to LBC and to their  
10 app.

11 Q And who would be the sellers of the LBC  
12 through the Coinbase widget?

13 A I don't remember how it was intended to  
14 work at the time.

15 Q Is LBRY the seller of the LBC through the  
16 Coinbase widget?

17 A I don't know. That could have been. I  
18 don't know.

19 Q Is the Coinbase widget still in place  
20 today?

21 A So we never got to that. We never -- we  
22 never did it from what I remember.

23 Q So the Coinbase widget was never actually  
24 implemented --

25 A Correct.



1 Q -- into the LBRY application?

2 A Yeah, it was an idea.

3 Q Why was the Coinbase widget not  
4 implemented or incorporated into LBRY application?

5 A That, I don't remember.

6 Q So midway down the page bollycat asks,  
7 "By the way how is binance listing going? (As read).  
8 Do you see that?

9 A Mh-hmm.

10 Q And then is your response in the next  
11 Tweet down the page?

12 A Yes.

13 Q You say, "Binance is tough, I don't think  
14 we have enough investor support (hype?) to win a  
15 voting round, at least not yet. Otherwise the fee  
16 is too high." Do you see that?

17 A Yeah.

18 Q What did you mean by the word "investor"  
19 or the phrase "investor support"?

20 A That was relating to the -- to the voting  
21 round, I believe. I don't know exactly what I meant  
22 by "investor support."

23 Q So -- so who's an investor that would be  
24 voting in the Binance election?

25 A I don't know how their voting worked,

1 but I think it was, like, their users, so maybe I

2 was -- I'm not sure what I meant by investors.

3 Q So users of Binance would be investors?

4 A Binance -- what's that?

5 Q Users of Binance would be investors?

6 A I don't think that's what I was saying. I

7 don't remember what I was trying to say by that.

8 Q Have you used the word "investor" in the

9 context of LBRY before?

10 A I did here. Probably I did in other

11 places.

12 Q You write here that "the fee is too high."

13 Do you recall what the fee was to get listed on

14 Binance?

15 A I don't remember the exact amount, but

16 I -- going back from the -- I think when they

17 replied, they gave us a -- a fee, and I thought --

18 we thought it was too high.

19 Q Whose decision was it not to pay the --

20 the fee to get listed on Binance?

21 A That usually went up through Josh and

22 Jeremy.

23 Q Why did they not want to pay the fee?

24 A I'm not sure why they wouldn't want to pay

25 the fee, but we also -- we had just a culture of --

1 mean by that?

2 A Lull, meaning quiet.

3 Q Brinck responds, "right, and no boffo  
4 announcement is going to send the price  
5 skyrocketing." Did you have an understanding of  
6 what a "boffo announcement" is?

7 A No.

8 Q Brinck then writes "I do get mildly  
9 concerned sometimes about organized price gaming."  
10 Did you form an understanding of what "organized  
11 price gaming" is?

12 A No.

13 Q Julie then responds, nobody in crypto are  
14 "investors." They are speculators (as read). Do  
15 you see that?

16 A I see that.

17 Q Did you form an understanding of what she  
18 meant by "speculators"?

19 A I don't know what the difference -- I  
20 don't know what the -- I don't know what the  
21 specific definitions of the terms are.

22 Q Did you have an understanding of what or  
23 who speculators were?

24 A Potentially people who were buying and  
25 selling LBRY, but I don't know.

1 Q When you say "LBRY," do you mean LBRY

2 credits?

3 A Yeah.

4 Q And why would people buying and selling  
5 LBRY credits be speculators?

6 A I'm not sure.

7 Q Your next message is three pages from the

8 end. You wrote "I usually buy and hold projects I

9 believe in. Didn't sell LBRY at \$1, not selling

10 now." Do you see that?

11 A Mh-hmm.

12 Q And Brinck responds same here "I've found

13 projects with teams I believed in, bought, and

14 hodled." Do you see that?

15 A Mh-hmm.

16 Q Do you understand that that's being used

17 as you defined it earlier today?

18 A Correct.

19 (SEC Exhibit No. 82 was marked

20 for identification.)

21 Q Tom, I'm handing you what's been marked as

22 Exhibit No. 82. It is a one-page document, and it

23 is a Reddit thread that was posted on December 4th,

24 2017. It's entitled "Sell or hold."

25 A Might I read through it?

1       yeah, but I don't remember the context.

2               Q       Then Brinck wrote, LOL. Do you know what  
3       "LOL" means?

4               A       Laugh out loud.

5               Q       After just reassuring a guy on Twitter who  
6       invested four BTC and LBRY credits like four months  
7       ago, I feel your pain (as read). What does "BTC"  
8       mean?

9                       (Reviewing document.)

10              A       I assume that's Bitcoin.

11              Q       Do you know what Brinck means by  
12       "reassuring a guy on Twitter"?

13              A       No.

14              Q       You respond with, Yeah, that's always  
15       tough (as read). What were you -- were you  
16       referring to someone who had invested BTC in LBRY  
17       credits?

18              A       Someone who had purchased LBRY credits.

19              Q       You write I'm in that boat, too. Was  
20       buying LBC at 10X this price (BTC wise). It was a  
21       crazy altcoin cycle which we  
22       fortunately/unfortunately took a ride on (as read).  
23       So when you use "BTC" in your statement, was that  
24       referring to Bitcoin?

25              A       Yeah.

1 Q Then when you say  
2 "fortunately/unfortunately," does that -- does a  
3 slash mean or? Fortunately "or" unfortunately?

4 A Yeah.

5 Q You write, Personally I'll continue to  
6 hold, but it may be harder for others. Hopefully  
7 LBRY will continue to improve and catch the eyes of  
8 users/investors alike (as read). What did you mean  
9 that it may be "harder" for others to hold LBRY  
10 credits?

11 (Reviewing document.)

12 A I don't remember what I meant by that.

13 Q What did you mean by your use of the word  
14 "investors" at the end of your statement?

15 (Reviewing document.)

16 A I don't know if I was referring to people  
17 who were trading LBRY potentially or, like, venture  
18 capitalist investors. I don't remember.

19 Q Was LBRY trying to attract venture  
20 capitalists in the end of 2017?

21 A Not -- not sure exactly. I know we had  
22 venture capital investment originally, so I assume  
23 that's something like that could potentially be  
24 used.

25 Q What role, if any, did you have in

1 Q Then Riley Smith says, yeah, like, rewards  
2 need to go. Says all of them. I'm never going to  
3 stop saying it. Entire concept needs to be wiped  
4 from the app. We're not an airline.

5 Josh Finer then writes, As someone who has  
6 done tons of traffic experiments in the past, the  
7 incentivized traffic is always trash (as read).

8 And then in the next mess -- message,  
9 excuse me, there's a user the Niko Storni, N-I-K-O,  
10 S-T-O-R-N-I. Do you see that?

11 A Mh-hmm.

12 Q Who's Niko Storni?

13 A He's an employee at LBRY.

14 Q And the text says that -- that user has  
15 joined the channel (as read), is that right?

16 A That's what it says, yeah.

17 Q And there was an inviter. Do you see  
18 that?

19 A Mh-hmm.

20 Q And that's somebody's account address or  
21 nomenclature, is that right?

22 A It looks like -- it looks similar to the  
23 other ones.

24 Q And then Josh Finer writes in the next  
25 message, Basically us saying yay, which is Y-A-Y all

1 caps, when the price goes up LOL (as read). Was  
2 there a -- a channel at LBRY in which LBRY employees  
3 would talk about the price of LBC?

4 A Yeah, I believe these are -- sounds like  
5 they're from that channel. I would also probably  
6 say it's the channel that gets used the least.

7 Q When was that channel started?

8 A I don't remember.

9 Q Is that channel still open today?

10 A I believe so.

11 Q Niko Storni writes Ha ha ha, sounds good  
12 to me. Then Riley Smith says damn. And then you  
13 wrote not impressed yet. I was buying LBC at 30,000  
14 sats (as read). What's S-A-T-S mean?

15 A That was the term we defined earlier,  
16 Satoshis.

17 Q Who, if anyone, do you know is not in the  
18 LBRY channel that discusses LBC price?

19 A Was not in it?

20 Q What LBRY employee is not, if anyone, in  
21 that channel?

22 A I don't know. I don't check who's in it  
23 or who isn't.

24 Q Have you ever seen Alex Grin in that  
25 channel?



1 Q Did you tip the poster who posted the  
2 article in Reddit?

3 A Yeah, that's what it looks like.

4 Q And when you said "as an investor," what  
5 did you mean by that?

6 A I meant it sounds like his -- his post was  
7 geared for investors.

8 (SEC Exhibit No. 89 was marked  
9 for identification.)

10 Q Tom, I'm handing you a document which has  
11 been marked as Exhibit No. 89. It is a Reddit post  
12 as well, and this one was posted February 21st,  
13 2018, and the title of the post thread is This Coin  
14 Needs a Rebrand (as read).

15 And I had some questions about your  
16 response, which is on the backside of the first page  
17 of the exhibit.

18 A You mind if I read through it?

19 Q Go ahead.

20 (Reviewing document.)

21 A I read it.

22 Q Okay. So I'd like to draw your attention  
23 to the sort of Page 2 on the backside of the first  
24 page of the exhibit. You wrote, "Is this coming from  
25 a purely investment standpoint?"

1 Do you see that?

2 A Mh-hmm.

3 Q What were you referencing? The original  
4 post or somebody else's comments?

5 (Reviewing document.)

6 A Not sure. It's hard to tell.

7 Q You wrote then If so, I can see why you  
8 feel that way (as read). What did you mean by that?

9 (Reviewing document.)

10 A I think there were people who were angry  
11 about the way we were doing certain things who might  
12 have bought LBRY credits potentially.

13 I don't know what the price was but maybe  
14 it was down, so I said -- well, probably just  
15 looking at the price.

16 Q And so that's why they -- the coin needs a  
17 rebrand?

18 A I'm -- what are you -- I'm not sure what  
19 you're asking.

20 Q Yeah, so I'm -- I'm just trying to make  
21 sure I understand what you said. You said is this  
22 coming from a purely investment standpoint, and the  
23 sort of original topic was coin needed a rebrand and  
24 sort of the name needs to be changed somehow.

25 And then you wrote, you know, If so, I can

1 see why you feel that way, but if you think that the  
2 name is holding LBRY back, I don't agree (as read).

3 But from a investment standpoint, did  
4 you -- I think you write, you know, I can see why  
5 you feel that way, that the name is holding the  
6 value of LBRY back somehow.

7 A I think what I meant was just people would  
8 complain about anything, really. The brand would  
9 just be -- brand name or marketing would just be  
10 like another thing that people might complain about.

11 Q And that's what investors would be  
12 complaining about?

13 A People who bought LBRY.

14 Q You meant people that bought LBRY so that  
15 they could make money when the value went up?

16 (Reviewing document.)

17 A Yeah.

18 Q You wrote in a post a little bit further  
19 down, How do you think we can better market a beta  
20 product that majority of users try once and forget  
21 about unless their values are really in line with  
22 ours? (as read). Do you see that?

23 A Mh-hmm.

24 Q Did you have a way to track whether or not  
25 users tried the product once and then did not come